


ANNUAL REPORT TO THE SHAREHOLDERS

Sub

DECEMBER 1969

ALINA MINES AND OILS LTD. (N.P.L.)



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ALINA MINES AND OILS LTD. (N.P.L.)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Alina Mines and Oils Ltd. (N.P.L.) will be held in the Patricia Room of the Hotel Georgia, 801 West Georgia Street, Vancouver, British Columbia on Wednesday, the 17th day of December, 1969 at the hour of 10:00 in the forenoon, for the following purposes.

- (a) To receive and approve the Annual Report of the Directors to the Shareholders and the Financial Statements of the Company for the period ended June 30th, 1969 together with the reports of the Auditors thereon;
- (b) To appoint Auditors and to authorize the Directors to fix the remuneration to be paid to the Auditors;

- (c) To ratify, confirm and approve all acts, deeds and things done by and the proceedings of Directors and Officers of the Company on its behalf since the last Annual General Meeting of the Company as referred to in the Annual Report and the financial statements presented to the meeting as set out in the minutes of meetings of the Board of Directors of the Company, copies of which are available for inspection by any shareholder of the Company during business hours at the Company's registered office at Suite 531-718 Granville Street, Vancouver 2, British Columbia;
- (d) To fix the number of Directors for the ensuing year at four (4);
- (e) To elect Directors;
- (f) To authorize the Company, pursuant to Section 150 of the "Companies Act" to take or otherwise acquire and hold the shares, stocks, or debentures of any company, wheresoever incorporated, having objects, altogether or in part, similar to those of the Company, or carrying on any business capable of being conducted so as, directly or indirectly, to benefit the Company and to sell or reissue with or without guarantee or otherwise deal with the same, and to empower the Directors to exercise such authority on the Company's behalf;
- (g) To transact such other business as may properly be transacted at such meeting, or at any adjournment thereof, without notice.

Copies of the Annual Report of the Directors to the Shareholders and of the financial statements for the period ended June 30th, 1969 and of an information circular and Proxy form accompany this Notice.

If you are unable to attend the Annual General Meeting in person kindly read the Notes on the instrument of proxy enclosed herewith and then complete and return the proxy within the time set out in the Notes. As set out in the Notes, the enclosed proxy is solicited by management but you may amend it, if you so desire, by striking out the names listed therein and inserting in the space provided the name of the person you wish to represent you at the meeting.

DATED at Vancouver, British Columbia this 1st day of December, A.D., 1969.

ON BEHALF OF THE BOARD
KERR E.G. GAFF
President

INFORMATION CIRCULAR

as at November 28th, 1969

This information Circular is furnished in connection with the solicitation of proxies by the Management of ALINA MINES AND OILS LTD. (N.P.L.) for the Annual General Meeting of Shareholders of the Company to be held on Wednesday, December 17th, 1969 in the Patricia Room, Hotel Georgia, 801 West Georgia Street, Vancouver, British Columbia at 10:00 a.m. and at any adjournment thereof for the purposes set forth in the accompanying notice of meeting.

REVOCABILITY OF PROXY

Any shareholder having returned the enclosed form of proxy and subsequently wishing to revoke same prior to the notice of exercise of the proxy, may accomplish this by written notice to the head office of the Company or the Chairman of the Meeting at which the instrument appointing the proxy may be used and shall be served on the proxy either personally or by mail addressed to his last known address and upon either of such deposits and upon either personal service or the expiration of two days of mailing the instrument appointing the proxy it shall be revoked.

PERSONS MAKING THE SOLICITATION

THE ENCLOSED FORM OF PROXY IS BEING SOLICITED ON BEHALF OF THE MANAGEMENT OF THE COMPANY. The cost of the solicitation will be paid by the Company. Solicitations will be made by mail, supplemented by telephone or other

personal contact by the proper officers and employees of the Company without special compensation. The Company may reimburse shareholders nominees or agents for the cost incurred in obtaining their principals authorization to execute forms of proxy. No solicitation will be made by specifically engaged employees or soliciting agents.

VOTING OF PROXIES

The Shareholder has the right to appoint a person to attend and act for him and on his behalf at the meeting other than the persons designated in the accompanying form of Proxy. To exercise this right the Shareholder may insert the name of the desired person in the blank space provided in the proxy and strike out the other names or may submit another proxy.

The shares represented by proxies in favour of the management will be voted as indicated above except where the person or company whose proxy is solicited specifies a choice with respect to any matter to be acted upon in which event the shares shall, subject to Section 103 of the Securities Act, 1967 be voted in accordance with the specifications so made.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Company has at present only one class of shares authorized. The Company has an authorized capital of \$2,500,000, divided into 5,000,000 shares with the par value of 50¢ each, and at the date hereof there are issued and outstanding 1,385,000 shares. Each such share issued and outstanding is entitled to one vote. Only those shareholders of record on November 28th, 1969 shall be entitled to vote at the forthcoming meeting.

Shareholders desiring to be represented by proxy at the Meeting must deposit their proxy form with the Company or the Guaranty Trust Company of Canada before 10:00 in the forenoon (Vancouver time) on Friday, the 15th day of December, 1969.

To the knowledge of the Directors and senior officers of the Company, as of November 28, 1969, the only person holding, directly or indirectly, more than 10% of the outstanding voting shares of the Company is:

Sandia International
Metals Corporation..... 1,100,000
Orlando, Florida, U.S.A.

ALINA MINES AND OILS LTD. (N.P.L.)

ELECTION OF DIRECTORS

The Board presently consists of five Directors. The Directors of the Company are elected annually and hold office until the next Annual General Meeting of Shareholders or until their successors in office are duly elected. In the absence of notice to the contrary, the enclosed proxy will be voted for the nominees listed in this Circular, all of whom are currently members of the Board of Directors. The Management does not contemplate that any of the nominees will be unable to serve in this capacity.

Name	Principal Occupation	Date of First Election to the Board
Kerr E.G. Gaff	Barrister and Solicitor; Partner in the law firm of McFarlane, Friesen & Gaff	March 14th, 1966
Robert Rooney	Insurance Claim Examiner	March 14th, 1966
Edgar Laflamme	Retired	March 14th, 1966
Marion Brown	President, Sandia Metals Corporation	September 24th, 1968

Shares of the Company are beneficially owned by the Directors of the Company as follows:

Name	No. of Shares
Kerr E.G. Gaff	270,000
Edgar Laflamme	100,000
Robert Rooney.....	75,000
Marion Brown	5,000

REMUNERATION OF MANAGEMENT

None of the Directors of the Company received any remuneration as such. Kerr E.G. Gaff, as Solicitor for the Company, has been paid reasonable legal fees for services performed by him for the Company as solicitor of the Company.

There are no outstanding options to purchase shares of the Company except those referred to in the agreement below.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No material interest, direct or indirect, was held in any transaction of the Company since the commencement of the Company's last financial year, by any director or officer of the Company, nor to the best of the knowledge of the directors, by any shareholder holding in excess of 10% of the shares of the Company.

APPOINTMENT OF AUDITORS

Shand, Pearmain, McAfee and Pew have offered themselves for appointment as the Company's Auditors.

It is not known that any other matters will come before the Meeting other than as set out in the Notice of Meeting but if such should occur, the persons named in the accompanying proxy intend to vote on them in accordance with their best judgment exercising discretionary authority with respect to amendments or variations of matters identified in the notice of meeting and other matters which may properly come before the meeting or any adjournment thereof.

DATED at Vancouver, British Columbia the 1st day of December, 1969.

BY ORDER OF THE BOARD
Kerr E.G. Gaff,
President.

PRESIDENT'S ANNUAL REPORT

December 8, 1969

To The Shareholders:

Each of the company's three prime interests showed very encouraging progress during the year. These prime interests include: ownership of 500,000 shares of Sandia International Metals Corporation; a 51% interest in the equity of McCullough Mining Enterprises Inc.; and a 55% interest in Double A Mines Limited.

Sandia International Metals Corporation during the past year progressed with its plans to construct a steel mill complex in Albuquerque, New Mexico. At the same time, additional test work was carried out on the Jernberg-Parker Placer Mining claims which cover what are known as the Kelso Sand Dunes, in the Devil's Playground, in San Bernardino County, 110 miles west of Las Vegas, Nevada. The deposit is composed entirely of sand containing free magnetite, clear silica, feldspar, minor amount of ilmenite and oxides of rare-earths (cerium, lanthanum and yttrium). Test work to determine the exact content of the sands and the possibility of establishing an economic operation is planned to continue. The two-phased program is estimated to cost \$97,000 in the first phase and \$500,000 in the second phase. Negotiations for these funds are continuing.

On September 15, 1969, Sandia Metals Corporation merged with Ocean & Land Industries, Inc. and following the merger Ocean & Land Industries changed its name to Sandia International Metals Corporation. An application has been made to the U.S.A. Securities and Exchange Commission to distribute shares of the merged company to the shareholders of Ocean Data Industries, Inc. This would constitute a public distribution and result in over-the-counter trading in shares of Sandia International Metals Corporation. If this application is approved the company will seek additional financing shortly after trading in the shares has started. A feasibility study will start as soon as the financing has been secured.

Double A Mines Ltd. holds 210 claims, located 25 miles southwest of Whitehorse, Yukon. Alina Mines & Oils holds 762,500 of the issued shares

of Double A Mines being about 55% of the issued shares, and an increase from the 45% held one year ago. Alina holds the right to increase its interest in Double A to 75% of the equity. An induced polarization survey on the property by Seigel & Associates Ltd. revealed that approximately 50% of the area surveyed is underlain by moderate to high chargeability material. These claims have already been subjected to an airborne magnetometer survey, geological surveying and some diamond drilling.

A contract for the diamond drill testing of a number of the target areas indicated by the induced polarization survey has been negotiated and drilling is expected to start in the early weeks of 1970. Funds for this program have been negotiated. The property is on the extension of the currently profitably producing Whitehorse Copperbelt and is considered to have a very considerable potential.

McCullough Mining Enterprises Inc. has an authorized capital of 400,000 shares of which Alina Mines and Oils holds 51% and Sandia International Metals Corp. holds 24%. McCullough holds about 75,000 square miles of placer leases in the Pinogana District, Province of Dasien, in the Republic of Panama.

A November 25, 1969, report on the property by consultant S.H. Glassmire discloses that in 1969 a reconnaissance program covering a wide variety of work was authorized for the months of November and December of 1969 and January and February of 1970. The purpose of the program was to establish the feasibility of production by large capacity dredges and the dredgability of the gold-bearing gravels. In his conclusions Mr. Glassmire states:

"A large part of the lower Tuquesa is dredgable with at least a medium size bucket line dredge, if ore can be delineated. Such a dredge could be floated up river, in one piece, with a minimum of difficulty. It is feasible for such a dredge to dig its own way further upstream to where gold in commercial quantities is possible. The Chucunaque and lower Tuquesa Rivers have no bed rock of the type that would prohibit or hinder bucket line dredging. No other production problems were found and gold production would be feasible if sufficient quantities can be delineated by drilling."

ALINA MINES AND OILS LTD. (N.P.L.)

Reports on the property, from when last exploration was carried out in 1935, showed bearing gravels estimated at 155,000,000 cubic yards with a recoverable gold content of \$1.77 per cubic yard. The program planned by McCullough for the coming months, now that it has been established that a dredge can be moved to the area and operated economically, is to confirm, by drilling and pitting, these old reserve estimates and grades. Funds for this program are being provided by Sandia International Metals at no cost to Alina. The exploration schedule calls for completion of the testing in time to allow for the construction, or purchase, and transportation of a dredge to the area for next high water in October, 1970. If this is successful,

the dredge could be in place and in operation early in 1971.

In addition to these three activities, Alina Mines and Oils is continuing to seek new exploration opportunities in the mineral industries with particular emphasis on petroleum and natural gas acreages in northern Canada.

Respectfully submitted on behalf of the board of directors.



Kerr E.G. Gaff,
President.

HALLAM, McALISTER, McAFEE & PEW CHARTERED ACCOUNTANTS

TELEPHONE 685-1933

B. P. McAFEE, C.A.
C. G. PEW, B.COMM., C.A.

630 NESBITT THOMSON BUILDING
890 WEST PENDER STREET
VANCOUVER 1, B.C.

consultants

R. J. HALLAM, C.A.
D. McALISTER, C.A.

AUDITORS' REPORT

The Shareholders,
Alina Mines and Oils Ltd. (N.P.L.)
Vancouver, B.C.

We have examined the balance sheet of Alina Mines and Oils Ltd. (N.P.L.) as at June 30, 1969 and the statements of exploration, development and other expenditures and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at June 30, 1969 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Vancouver, B.C.
July 30, 1969.

Chartered Accountants

FINANCIAL STATEMENT

BALANCE SHEET

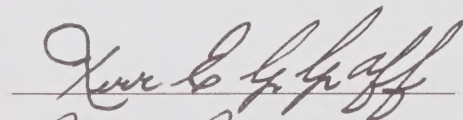
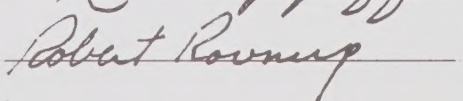
AS AT JUNE 30, 1969

(With comparative figures as at June 30, 1968)

ASSETS

	1969	1968
CURRENT ASSETS		
Cash	\$ 89	\$ 8,451
Marketable securities, at cost (Note 1)	6,900	6,900
Accounts receivable	3,412	2,493
	<u>10,401</u>	<u>17,844</u>
MINERAL CLAIMS, at cost	50,500	50,500
INTEREST IN OIL AND GAS PROPERTIES, at cost	245,220	247,895
Production revenue received	(13,200)	(9,472)
	<u>232,020</u>	<u>238,423</u>
INVESTMENTS, at cost (Note 2)	699,000	24,000
ADVANCES TO DOUBLE "A" MINES LTD. (N.P.L.), at cost (Note 3)	30,000	—
OFFICE EQUIPMENT, at cost	<u>1,057</u>	<u>1,057</u>
DEFERRED EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES, at cost		
Balance at beginning of period	37,506	40,933
Expenditures for the period (Exhibit B)	20,015	(3,427)
	<u>57,521</u>	<u>37,506</u>
INCORPORATION AND ORGANIZATION EXPENSE, at cost	<u>5,053</u>	<u>5,053</u>

APPROVED ON BEHALF OF THE BOARD:

Director

Director

\$1,085,552

\$374,383

ALINA MINES AND OILS LTD. (N.P.L.)

EXHIBIT A

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>1969</u>	<u>1968</u>
CURRENT LIABILITIES		
Demand bank loan, secured (Note 1)	\$ 25,000	\$ —
Accounts payable and accrued	11,169	—
	<u>36,169</u>	<u>—</u>
SHAREHOLDERS' EQUITY		
Share Capital		
Authorized:		
5,000,000 Common shares of 50¢ each par value		
Issued: (Note 2b and 2c)		
<u>1969</u>		
970,005 Shares for cash	485,003	485,003
Discount	(128,000)	(128,000)
Commission	(2,640)	(2,640)
	<u>354,363</u>	<u>354,363</u>
1,764,995 Shares for consideration other		
than cash (1968: 414,995 shares)	882,497	207,497
Discount	(176,397)	(176,397)
	<u>706,100</u>	<u>31,100</u>
<u>2,735,000</u>	1,060,463	385,463
Cost of mineral claims abandoned	(11,080)	(11,080)
	<u>1,049,383</u>	<u>374,383</u>

The notes in accompanying Exhibit D form an integral part of these financial statements.

This is the balance sheet referred to in our report dated July 30, 1969.

Hallam, McAlister, McAfee & Pegg
Chartered Accountants.

\$1,085,552

\$374,383

**STATEMENT OF EXPLORATION, DEVELOPMENT
AND OTHER EXPENDITURES**

FOR THE YEAR ENDED JUNE 30, 1969

(With comparative figures for the year ended June 30, 1968)

	<u>1969</u>	<u>1968</u>
EXPLORATION AND DEVELOPMENT		
Refund of deposit in lieu of assessment work	\$ —	\$(10,000)
Engineering and geology	326	487
Induced polarization	—	31,477
Labour, rentals, plane charters	88	—
Recording and grouping fees	—	394
	<u>414</u>	<u>22,358</u>
GENERAL AND ADMINISTRATIVE		
Accounting and audit	2,125	575
Bank charges and interest	1,621	319
Legal fees	10,609	2,337
Listing fee	2,000	—
Office rent and expense	882	1,135
Telephone	117	182
Transfer agent's fees	1,247	1,439
Travel	1,000	173
	<u>19,601</u>	<u>6,160</u>
Gain on sale of investments	—	(31,945)
TOTAL EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES FOR THE YEAR (Exhibit A)	<u>\$20,015</u>	<u>\$ (3,427)</u>

ALINA MINES AND OILS LTD. (N.P.L.)

EXHIBIT C

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED JUNE 30, 1969

(With comparative figures for the year ended June 30, 1968)

	<u>1969</u>	<u>1968</u>
SOURCE OF FUNDS		
Sale of share capital for cash	\$ —	\$32,045
Revenue from oil and gas properties	6,639	6,701
	<u>6,639</u>	<u>38,746</u>
APPLICATION OF FUNDS		
Purchase of mineral claims	—	1,000
Purchase of interests in oil and gas properties	236	3,902
Investment in shares of Double "A" Mines Ltd. (N.P.L.)	—	24,000
Advances to Double "A" Mines Ltd. (N.P.L.)	30,000	—
Exploration, development and other expenditures (Exhibit B)	20,015	(3,427)
	<u>50,251</u>	<u>25,475</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(43,612)	13,271
WORKING CAPITAL AT BEGINNING OF PERIOD	<u>17,844</u>	<u>4,573</u>
WORKING CAPITAL (DEFICIENCY) AT END OF PERIOD	<u>\$ (25,768)</u>	<u>\$17,844</u>
WORKING CAPITAL (DEFICIENCY) REPRESENTED BY:		
CURRENT ASSETS	\$ 10,401	\$17,844
CURRENT LIABILITIES	<u>36,169</u>	<u>—</u>
	<u>\$ (25,768)</u>	<u>\$17,844</u>

HALLAM, McALISTER, McAFEE & PEW
CHARTERED ACCOUNTANTS

NOTES TO FINANCIAL STATEMENTS

AS AT JUNE 30, 1969

1. The company owns 6,000 common shares of Captain International Industries Ltd., the market value of which was \$30,000 as at June 30, 1969. The shares are lodged with the bank as security for its advances to the company. As at June 30, 1968 the company owned 6,000 common shares of Captain International Industries Ltd., the market value of which was \$53,250 at that date.

2. As at June 30, 1969 investments of the company comprised the following:

(a) Double "A" Mines Ltd. (N.P.L.) common shares:

337,500	shares acquired in exchange for mineral claims staked by a syndicate in which Alina Mines and Oils Ltd. (N.P.L.) had participated at a cost of	\$ 11,500
<u>125,000</u>	shares purchased at a cost of	<u>12,500</u>
<u>462,500</u>	shares	24,000

(b) Sandia Metals Corporation common shares:

<u>500,000</u>	shares acquired as consideration for the issuance of 1,100,000 unissued treasury shares of Alina Mines and Oils Ltd. (N.P.L.) to Sandia Metals Corporation (a New Mexico corporation) at par value, the cost of shares of the latter company therefore being	550,000
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(c) McCullough Mining Enterprises, Inc. (a Panamanian corporation)
common shares:

<u>204,000</u>	shares (representing a 51% interest) acquired as consideration for the issuance of 250,000 unissued treasury shares of Alina Mines and Oils Ltd. (N.P.L.) to O.J. McCullough at par value, the cost of the investment in the subsidiary company therefore being	<u>125,000</u>
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Total investments (Exhibit A)	<u>\$699,000</u>
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ALINA MINES AND OILS LTD. (N.P.L.)

EXHIBIT D (cont'd)

NOTES TO FINANCIAL STATEMENTS

AS AT JUNE 30, 1969

As at June 30, 1968 investments of the company comprised the following

462,500 common shares of Double "A" Mines Ltd. (N.P.L.)
at a cost of \$24,000.

As the shares of the above companies are not traded on a stock exchange, the market values of such shares are indeterminable.

The shares held as investments stated in (b) and (c) above and the shares of the company issued in exchange therefor, were all issued pursuant to the terms of an agreement dated August 1, 1968, the parties to which are, Sandia Metals Corporation, Alina Mines and Oils Ltd. (N.P.L.), McCullough Mining Enterprises, Inc., and O.J. McCullough. All shares issued in connection with the agreement are held in escrow in accordance with the terms of the agreement.

The agreement mentioned above specifies that within one year from August 1, 1968, Sandia Metals Corporation shall lend to Alina Mines and Oils Ltd. (N.P.L.) an amount not to exceed \$250,000 to finance exploration and development of the present holdings of the latter company. By a resolution of the directors of Alina Mines and Oils Ltd. (N.P.L.) dated May 6, 1969, the time limit for the above loan to be made was extended for such length of time as may be necessary to complete an underwriting issue of the share capital of Sandia Metals Corporation. The loan is to be evidenced by a promissory note bearing interest at 6% per annum, and is to be repaid out of the net profits of Alina Mines and Oils Ltd. (N.P.L.) after payment of income taxes, and prior to the declaration by that company of any dividends from its earnings that would otherwise be distributed to its shareholders if it were not for the terms of repayment of the loan.

Under the terms of the agreement, Sandia Metals Corporation is furthermore obligated to lend to McCullough Mining Enterprises, Inc. within one year from August 1, 1968, an amount not to exceed \$150,000 to finance exploration and development of the present holdings of that company. Said loan is to be evidenced by a 6% promissory note, and extension of the period of time for originally making the loan and terms of repayment of the loan correspond with the details of the preceding paragraph.

Financial statements of the subsidiary company McCullough Mining Enterprises, Inc. have not been consolidated with those of the parent company, Alina Mines and Oils Ltd. (N.P.L.), as they would not be meaningful under the circumstances, the terms of the agreement under which the shares of the former were acquired not having been fulfilled.

3. In July, 1968 the company advanced an amount of \$15,000 to Double "A" Mines Ltd. (N.P.L.) a loan evidenced by a promissory note payable on demand and bearing interest at 8% per annum. Alina Mines and Oils Ltd. (N.P.L.) has the option to convert the loan to subscribe for 150,000 shares of Double "A" Mines Ltd. (N.P.L.) at ten cents per share, provided that the latter is still a private company at the time of conversion of the loan.

Further advances totalling \$15,000 as at June 30, 1969, have been made to Double "A" Mines Ltd. (N.P.L.) on the same terms as above, but with the additional condition that if still further advances of \$15,000 are made so that total advances are \$45,000, then Alina Mines and Oils Ltd. (N.P.L.) would be entitled to the further consideration that the company would earn the right to purchase for cash at not less than ten cents per share, up to 75% of the unissued shares remaining in the treasury of Double "A" Mines Ltd. (N.P.L.)

No interest had been received or accrued on these advances as at June 30, 1969.

DIRECTORS

KERR E.G. GAFF, President, North Vancouver, B.C.
ROBERT ROONEY, Secretary-Treasurer, North Vancouver, B.C.
EDGAR LAFLAMME, Director, Vancouver, B.C.
MARION BROWN, Director

TRANSFER AGENT

GUARANTY TRUST COMPANY OF CANADA
624 Howe Street
Vancouver, B.C.

AUDITORS

SHAND, PEARMAIN, McAFEE & PEW
Chartered Accountants
900 - 1055 West Hastings Street
Vancouver 1, B.C.

**SOLICITORS
and REGISTERED OFFICE**

MESSRS. McFARLANE, GAFF & COMPANY
Barristers and Solicitors
531 - 718 Granville Street
Vancouver 2, B.C.

CAPITALIZATION

5,000,000 Shares Par Value 50 Cents
1,385,000 Shares Issued